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February 2, 2015

VIA ELECTRONIC MAIL AND REGULAR MAIL

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
Post Office Box 615
211 Sower Boulevard
Frankfort, Kentucky 40601

Re: Proposed Adjustment of City of Augusta's Wholesale Water Rate
TFS2015-00024

Dear Mr. Derouen:

On January 5, 2015, the City of Augusta, Kentucky ("Augusta") filed with the Kentucky Public Service Commission ("KPSC") notice of a proposed adjustment of its rate for wholesale water service to Bracken County Water District ("Bracken District") to \$1.95 per 1,000 gallons from \$1.83 per 1,000 gallons. According to this notice, Augusta's proposed adjustment is to become effective on February 11, 2015. Shortly thereafter, Augusta submitted an invoice to Bracken District for \$19,696.17 to retroactively apply the \$1.95 per 1,000 rate to water service provided to Bracken District from July 1, 2013 to June 30, 2014. A copy of this invoice is enclosed.

Based upon the limited information contained in Augusta's notice, Bracken District is unable to ascertain whether the proposed adjustment is consistent with the methodology set forth in water purchase contracts that Bracken District and Augusta have executed and modified by the KPSC's Orders of July 14, 1999 and February 14, 2000 in Case No. 98-497.¹ Augusta has calculated the proposed rate adjustment based upon a total treated water amount of 214,160,700 gallons for the period from July 1, 2013 to June 30, 2014. Augusta's reports to the Kentucky Division of Water for this period, however, indicate that Augusta's water treatment plant produced 270,622,000 gallons of water (or 266,965,500 gallons of water if water treatment plant usage is considered). Augusta has failed to provide detailed monthly reports of water treatment

¹ Case No. 98-497, *Proposed Adjustment of the Wholesale Rate of the City of Augusta, Kentucky* (Ky. PSC filed Sept. 14, 1998).

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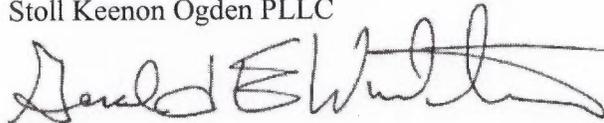
plant expenses to Bracken District as required by the contract amendment that the parties executed in 2008.

Pursuant to KRS 278.200 and to the Kentucky Supreme Court's holding in *Simpson County Water District v. City of Franklin*, 872 S.W.2d 460 (Ky. 1994), a rate set forth in a contract between a city and a utility may not be changed until the KPSC holds a hearing on the proposed change. The KPSC has not held a hearing on any Augusta wholesale rate adjustment since 2000. Accordingly, Bracken District respectfully requests that the KPSC initiate a formal proceeding to investigate the proposed rate and issue all orders necessary to ensure that the proposed rate is not placed into effect or otherwise assessed before the required hearing. Bracken District further requests that, pursuant to 807 KAR 5:001, Section 8, **the KPSC direct the use of electronic filing procedures for such proceeding.**

Bracken District does not by this letter waive any right that it may possess under Kentucky law to contest any adjustment of Augusta's wholesale rate occurring between February 14, 2000 and January 5, 2014. Bracken District expressly reserves all rights to contest such wholesale rate adjustments that were implemented without a prior hearing before the KPSC and to request refunds any amounts unlawfully assessed and collected.

Very truly yours,

Stoll Keenon Ogden PLLC



Gerald Wuetcher
Counsel for Bracken County Water District

GEW

Enclosure

cc: Hon. Mary Zeigler
Cynthia Thompson, Esq.
Gretchen England-Usleaman



CITY OF AUGUSTA
 219 MAIN STREET
 P.O. BOX 85
 AUGUSTA, KY 41002

Phone: 606-756-2183
 Fax: 606-756-2185
 E-mail:
 gengland@augustaky.com

Invoice

DATE: January 6, 2015

Bill To:

BRACKEN COUNTY WATER DISTRICT #1
 P.O. BOX 201
 BROOKSVILLE, KY 41004

Date		Description			Total
2013-2014		Year end undercharge for fiscal year 2013-2014	164,134,700 gallons @ 12¢ / 1,000 gallons		\$ 19,696.17

Term: Net 30 days

Subtotal	\$ 19,696.17
Balance Due	\$ 19,696.17